



QUARTERLY STATEMENT

AS OF MARCH 31, 2010  
OF THE CONDITION AND AFFAIRS OF THE

Priority Health Government Programs, Inc.

|                                       |                                      |                |   |  |   |            |
|---------------------------------------|--------------------------------------|----------------|---|--|---|------------|
| NAIC Group Code                       | 3383                                 | 3383           | NAIC Company Code                             | 11520                                      | Employer's ID Number                                | 32-0016523 |
|                                       | (Current Period)                     | (Prior Period) |   |  |   |            |
| Organized under the Laws of           | Michigan                             |                |   | State of Domicile or Port of Entry         | Michigan  |            |
| Country of Domicile                   | United States                        |                |   |  |   |            |
| Licensed as business type:            | Life, Accident & Health [ ]          |                | Property/Casualty [ ]                         |  | Hospital, Medical & Dental Service or Indemnity [ ] |            |
|                                       | Dental Service Corporation [ ]       |                | Vision Service Corporation [ ]                |  | Health Maintenance Organization [ X ]               |            |
|                                       | Other [ ]                            |                | Is HMO, Federally Qualified? Yes [ ] No [ X ] |  |   |            |
| Incorporated/Organized                | 06/03/2002                           |                | Commenced Business                            |  | 10/01/2002  |            |
| Statutory Home Office                 | 1231 East Beltline NE                |                |   | Grand Rapids, MI 49525-4501                |   |            |
|                                       | (Street and Number)                  |                |   | (City, State and Zip Code)                 |   |            |
| Main Administrative Office            | 1231 East Beltline NE                |                | Grand Rapids, MI 49525-4501                   |  | 616-942-0954  |            |
|                                       | (Street and Number)                  |                | (City or Town, State and Zip Code)            |  | (Area Code) (Telephone Number)                      |            |
| Mail Address                          | 1231 East Beltline NE                |                | Grand Rapids, MI 49525-4501                   |  |   |            |
|                                       | (Street and Number or P.O. Box)      |                | (City or Town, State and Zip Code)            |  |   |            |
| Primary Location of Books and Records | 1231 East Beltline NE                |                | Grand Rapids, MI 49525-4501                   |  | 616-464-8926  |            |
|                                       | (Street and Number)                  |                | (City, State and Zip Code)                    |  | (Area Code) (Telephone Number)                      |            |
| Internet Web Site Address             | www.priority-health.com              |                |   |  |   |            |
| Statutory Statement Contact           | Kristy Lynn Shoemaker                |                |   | 616-464-8926                               |   |            |
|                                       | (Name)                               |                |   | (Area Code) (Telephone Number) (Extension) |   |            |
|                                       | kristy.shoemaker@priority-health.com |                |   | 616-942-7916                               |   |            |
|                                       | (E-Mail Address)                     |                |   | (Fax Number)                               |   |            |

OFFICERS

|                     |                                     |                   |                                     |
|---------------------|-------------------------------------|-------------------|-------------------------------------|
| Name                | Title                               | Name              | Title                               |
| Kimberly K Horn     | President / Chief Executive Officer | Gregory A Hawkins | Treasurer / Chief Financial Officer |
| Kimberly L Thomas # | Secretary                           |                   |                                     |

OTHER OFFICERS

|               |                |  |  |
|---------------|----------------|--|--|
| James F Byrne | Vice President |  |  |
|---------------|----------------|--|--|

DIRECTORS OR TRUSTEES

|               |                   |                 |                   |
|---------------|-------------------|-----------------|-------------------|
| James F Byrne | Gregory A Hawkins | Kimberly K Horn | James S Slubowski |
|---------------|-------------------|-----------------|-------------------|

State of Michigan  
County of Kent SS

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

|   |   |                                 |
|---|---|---------------------------------|
| Kimberly K. Horn<br>President / Chief Executive Officer | Gregory A. Hawkins<br>Treasurer / Chief Financial Officer | Kimberly L. Thomas<br>Secretary |
|---|---|---------------------------------|

Subscribed and sworn to before me this  
day of May, 2010

Catherine H. Sochanek, Executive Administrative Assistant  
05/12/2016

- a. Is this an original filing? Yes [ X ] No [ ]
- b. If no,
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

|  | Current Statement Date |                             |   | 4<br><br>December 31<br>Prior Year Net<br>Admitted Assets |
|--|------------------------|-----------------------------|---|---|
|  | 1<br><br>Assets        | 2<br><br>Nonadmitted Assets | 3<br><br>Net Admitted Assets<br>(Cols. 1 - 2) |   |
| 1. Bonds .....   | 1,056,898              |                             | 1,056,898                                     | 1,061,400   |
| 2. Stocks:   |                        |                             |   |   |
| 2.1 Preferred stocks .....   |                        |                             | 0   | 0   |
| 2.2 Common stocks .....  |                        |                             | 0   | 0   |
| 3. Mortgage loans on real estate:  |                        |                             |   |   |
| 3.1 First liens .....  |                        |                             | 0   | 0   |
| 3.2 Other than first liens .....   |                        |                             | 0   | 0   |
| 4. Real estate:  |                        |                             |   |   |
| 4.1 Properties occupied by the company (less<br>\$ ..... encumbrances) .....   |                        |                             | 0   | 0   |
| 4.2 Properties held for the production of income<br>(less \$ ..... encumbrances) .....   |                        |                             | 0   | 0   |
| 4.3 Properties held for sale (less<br>\$ ..... encumbrances) .....   |                        |                             | 0   | 0   |
| 5. Cash (\$ .....14,171,359 ),<br>cash equivalents (\$ .....0 )<br>and short-term investments (\$ .....22,028,627 ) .....                                  | 36,199,986             |                             | 36,199,986                                    | 29,659,878  |
| 6. Contract loans (including \$ .....premium notes) .....  |                        |                             | 0   | 0   |
| 7. Derivatives .....   |                        |                             | 0   |   |
| 8. Other invested assets .....   | 0                      |                             | 0   | 0   |
| 9. Receivables for securities .....  |                        |                             | 0   | 0   |
| 10. Aggregate write-ins for invested assets .....  | 0                      | 0                           | 0   | 0   |
| 11. Subtotals, cash and invested assets (Lines 1 to 10) .....  | 37,256,884             | 0                           | 37,256,884                                    | 30,721,278  |
| 12. Title plants less \$ .....charged off (for Title insurers<br>only) .....   |                        |                             | 0   | 0   |
| 13. Investment income due and accrued .....  | 182,475                |                             | 182,475                                       | 259,638   |
| 14. Premiums and considerations:   |                        |                             |   |   |
| 14.1 Uncollected premiums and agents' balances in the course of<br>collection .....  | 1,555,624              |                             | 1,555,624                                     | 1,369,658   |
| 14.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due (including \$ .....earned<br>but unbilled premiums) ..... |                        |                             | 0   | 0   |
| 14.3 Accrued retrospective premiums .....  |                        |                             | 0   | 0   |
| 15. Reinsurance:   |                        |                             |   |   |
| 15.1 Amounts recoverable from reinsurers .....   |                        |                             | 0   | 0   |
| 15.2 Funds held by or deposited with reinsured companies .....   |                        |                             | 0   | 0   |
| 15.3 Other amounts receivable under reinsurance contracts .....  |                        |                             | 0   | 0   |
| 16. Amounts receivable relating to uninsured plans .....   |                        |                             | 0   | 0   |
| 17.1 Current federal and foreign income tax recoverable and interest thereon .....   |                        |                             | 0   | 0   |
| 17.2 Net deferred tax asset .....  |                        |                             | 0   | 0   |
| 18. Guaranty funds receivable or on deposit .....  |                        |                             | 0   | 0   |
| 19. Electronic data processing equipment and software .....  |                        |                             | 0   | 0   |
| 20. Furniture and equipment, including health care delivery assets<br>(\$ ..... ) .....  |                        |                             | 0   | 0   |
| 21. Net adjustment in assets and liabilities due to foreign exchange rates .....   |                        |                             | 0   | 0   |
| 22. Receivables from parent, subsidiaries and affiliates .....   | 179,614                |                             | 179,614                                       | 182,277   |
| 23. Health care (\$ .....373,678 ) and other amounts receivable .....  | 1,157,044              | 26,000                      | 1,131,044                                     | 1,711,301   |
| 24. Aggregate write-ins for other than invested assets .....   | 0                      | 0                           | 0   | 0   |
| 25. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 11 to 24) .....                                    | 40,331,641             | 26,000                      | 40,305,641                                    | 34,244,152  |
| 26. From Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts .....   |                        |                             | 0   | 0   |
| 27. Total (Lines 25 and 26) .....  | 40,331,641             | 26,000                      | 40,305,641                                    | 34,244,152  |
| DETAILS OF WRITE-INS   |                        |                             |   |   |
| 1001. ....   |                        |                             |   |   |
| 1002. ....   |                        |                             |   |   |
| 1003. ....   |                        |                             |   |   |
| 1098. Summary of remaining write-ins for Line 10 from overflow page .....  | 0                      | 0                           | 0   | 0   |
| 1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above) .....  | 0                      | 0                           | 0   | 0   |
| 2401. ....   |                        |                             |   |   |
| 2402. ....   |                        |                             |   |   |
| 2403. ....   |                        |                             |   |   |
| 2498. Summary of remaining write-ins for Line 24 from overflow page .....  | 0                      | 0                           | 0   | 0   |
| 2499. Totals (Lines 2401 through 2403 plus 2498)(Line 24 above) .....  | 0                      | 0                           | 0   | 0   |

LIABILITIES, CAPITAL AND SURPLUS

|  | Current Period |                |            | Prior Year |
|--|----------------|----------------|------------|------------|
|  | 1<br>Covered   | 2<br>Uncovered | 3<br>Total | 4<br>Total |
| 1. Claims unpaid (less \$ .....0 reinsurance ceded)  | 16,267,662     |                | 16,267,662 | 14,530,729 |
| 2. Accrued medical incentive pool and bonus amounts  | 142,560        |                | 142,560    | 313,404    |
| 3. Unpaid claims adjustment expenses   | 181,553        |                | 181,553    | 163,414    |
| 4. Aggregate health policy reserves  |                |                | 0          | 0          |
| 5. Aggregate life policy reserves  |                |                | 0          | 0          |
| 6. Property/casualty unearned premium reserve  |                |                | 0          | 0          |
| 7. Aggregate health claim reserves   |                |                | 0          | 0          |
| 8. Premiums received in advance  | 489,430        |                | 489,430    | 365,735    |
| 9. General expenses due or accrued   | 279,220        |                | 279,220    | 288,553    |
| 10.1 Current federal and foreign income tax payable and interest thereon (including \$ ..... on realized gains (losses)) |                |                | 0          | 0          |
| 10.2 Net deferred tax liability  |                |                | 0          | 0          |
| 11. Ceded reinsurance premiums payable   |                |                | 0          | 0          |
| 12. Amounts withheld or retained for the account of others   |                |                | 0          | 0          |
| 13. Remittances and items not allocated  |                |                | 0          | 0          |
| 14. Borrowed money (including \$ ..... current) and interest thereon \$ ..... (including \$ ..... current)               |                |                | 0          | 0          |
| 15. Amounts due to parent, subsidiaries and affiliates   | 3,153,462      |                | 3,153,462  | 1,919,859  |
| 16. Derivatives  |                |                | 0          |            |
| 17. Payable for securities   |                |                | 0          | 0          |
| 18. Funds held under reinsurance treaties (with \$ ..... authorized reinsurers and \$ ..... unauthorized reinsurers)     |                |                | 0          | 0          |
| 19. Reinsurance in unauthorized companies  |                |                | 0          | 0          |
| 20. Net adjustments in assets and liabilities due to foreign exchange rates  |                |                | 0          | 0          |
| 21. Liability for amounts held under uninsured plans   |                |                | 0          | 0          |
| 22. Aggregate write-ins for other liabilities (including \$ ..... current)   | 0              | 0              | 0          | 0          |
| 23. Total liabilities (Lines 1 to 22)  | 20,513,887     | 0              | 20,513,887 | 17,581,694 |
| 24. Aggregate write-ins for special surplus funds  | XXX            | XXX            | 0          | 0          |
| 25. Common capital stock   | XXX            | XXX            | 10,000     | 10,000     |
| 26. Preferred capital stock  | XXX            | XXX            |            | 0          |
| 27. Gross paid in and contributed surplus  | XXX            | XXX            | 11,326,879 | 11,326,879 |
| 28. Surplus notes  | XXX            | XXX            |            | 0          |
| 29. Aggregate write-ins for other than special surplus funds   | XXX            | XXX            | 1,000,000  | 1,000,000  |
| 30. Unassigned funds (surplus)   | XXX            | XXX            | 7,454,875  | 4,325,579  |
| 31. Less treasury stock, at cost:  |                |                |            |            |
| 31.1 ..... shares common (value included in Line 25) \$ ..... )  | XXX            | XXX            |            | 0          |
| 31.2 ..... shares preferred (value included in Line 26) \$ ..... )   | XXX            | XXX            |            | 0          |
| 32. Total capital and surplus (Lines 24 to 30 minus Line 31)   | XXX            | XXX            | 19,791,754 | 16,662,458 |
| 33. Total liabilities, capital and surplus (Lines 23 and 32)   | XXX            | XXX            | 40,305,641 | 34,244,152 |
| DETAILS OF WRITE-INS   |                |                |            |            |
| 2201. ....   |                |                |            |            |
| 2202. ....   |                |                |            |            |
| 2203. ....   |                |                |            |            |
| 2298. Summary of remaining write-ins for Line 22 from overflow page  | 0              | 0              | 0          | 0          |
| 2299. Totals (Lines 2201 through 2203 plus 2298) (Line 22 above)   | 0              | 0              | 0          | 0          |
| 2401. ....   | XXX            | XXX            |            |            |
| 2402. ....   | XXX            | XXX            |            |            |
| 2403. ....   | XXX            | XXX            |            |            |
| 2498. Summary of remaining write-ins for Line 24 from overflow page  | XXX            | XXX            | 0          | 0          |
| 2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above)   | XXX            | XXX            | 0          | 0          |
| 2901. Appropriated Retained Earnings   | XXX            | XXX            | 1,000,000  | 1,000,000  |
| 2902. ....   | XXX            | XXX            |            |            |
| 2903. ....   | XXX            | XXX            |            |            |
| 2998. Summary of remaining write-ins for Line 29 from overflow page  | XXX            | XXX            | 0          | 0          |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)   | XXX            | XXX            | 1,000,000  | 1,000,000  |

STATEMENT OF REVENUE AND EXPENSES

|   | Current Year<br>To Date |            | Prior Year To<br>Date | Prior Year<br>Ended<br>December 31 |
|---|-------------------------|------------|-----------------------|------------------------------------|
|   | 1<br>Uncovered          | 2<br>Total | 3<br>Total            | 4<br>Total                         |
| 1. Member Months.....   | XXX                     | 189,085    | 171,219               | 720,885                            |
| 2. Net premium income (including \$ .....0 non-health premium income).....  | XXX                     | 46,799,962 | 40,691,070            | 174,350,811                        |
| 3. Change in unearned premium reserves and reserve for rate credits .....   | XXX                     |            | .0                    | .0                                 |
| 4. Fee-for-service (net of \$ ..... medical expenses) .....   | XXX                     |            | .0                    | .0                                 |
| 5. Risk revenue .....   | XXX                     |            | .0                    | .0                                 |
| 6. Aggregate write-ins for other health care related revenues .....   | XXX                     | .0         | (2,237,116)           | (2,203,803)                        |
| 7. Aggregate write-ins for other non-health revenues .....  | XXX                     | .0         | .0                    | .0                                 |
| 8. Total revenues (Lines 2 to 7) .....  | XXX                     | 46,799,962 | 38,453,954            | 172,147,008                        |
| <b>Hospital and Medical:</b>  |                         |            |                       |                                    |
| 9. Hospital/medical benefits .....  |                         | 29,085,510 | 26,268,349            | 108,552,013                        |
| 10. Other professional services .....   |                         | 5,478      | 15,262                | 101,723                            |
| 11. Outside referrals .....   |                         | 924,768    | 895,995               | 3,890,555                          |
| 12. Emergency room and out-of-area .....  |                         | 1,930,122  | 1,917,550             | 7,917,213                          |
| 13. Prescription drugs .....  |                         | 5,934,548  | 5,089,141             | 20,819,811                         |
| 14. Aggregate write-ins for other hospital and medical.....   | .0                      | .0         | .0                    | .0                                 |
| 15. Incentive pool, withhold adjustments and bonus amounts.....   |                         | 170,844    | 293,862               | 344,563                            |
| 16. Subtotal (Lines 9 to 15) .....  | .0                      | 38,051,270 | 34,480,159            | 141,625,878                        |
| <b>Less:</b>  |                         |            |                       |                                    |
| 17. Net reinsurance recoveries .....  |                         |            | .0                    | .0                                 |
| 18. Total hospital and medical (Lines 16 minus 17) .....  | .0                      | 38,051,270 | 34,480,159            | 141,625,878                        |
| 19. Non-health claims (net).....  |                         |            | .0                    | .0                                 |
| 20. Claims adjustment expenses, including \$ 207,741 ..... cost containment expenses.....   |                         | 1,222,007  | 413,388               | 5,153,086                          |
| 21. General administrative expenses.....  |                         | 4,425,203  | 2,342,535             | 15,411,435                         |
| 22. Increase in reserves for life and accident and health contracts (including<br>\$ ..... increase in reserves for life only).....       |                         |            | .0                    | .0                                 |
| 23. Total underwriting deductions (Lines 18 through 22) .....   | .0                      | 43,698,480 | 37,236,082            | 162,190,399                        |
| 24. Net underwriting gain or (loss) (Lines 8 minus 23) .....  | XXX                     | 3,101,482  | 1,217,872             | 9,956,609                          |
| 25. Net investment income earned .....  |                         | 27,168     | 120,055               | 344,908                            |
| 26. Net realized capital gains (losses) less capital gains tax of \$.....0 .....  |                         | 646        | .0                    | 3,001                              |
| 27. Net investment gains (losses) (Lines 25 plus 26) .....  | .0                      | 27,814     | 120,055               | 347,909                            |
| 28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered<br>\$ ..... ) (amount charged off \$ ..... ) ..... |                         |            | .0                    | .0                                 |
| 29. Aggregate write-ins for other income or expenses .....  | .0                      | .0         | .0                    | .0                                 |
| 30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines<br>24 plus 27 plus 28 plus 29) .....    | XXX                     | 3,129,296  | 1,337,927             | 10,304,518                         |
| 31. Federal and foreign income taxes incurred .....   | XXX                     |            | .0                    | .0                                 |
| 32. Net income (loss) (Lines 30 minus 31) .....   | XXX                     | 3,129,296  | 1,337,927             | 10,304,518                         |
| <b>DETAILS OF WRITE-INS</b>   |                         |            |                       |                                    |
| 0601. QAAP Assessment.....  | XXX                     | .0         | (2,237,116)           | (2,203,803)                        |
| 0602. ....  | XXX                     |            |                       |                                    |
| 0603. ....  | XXX                     |            |                       |                                    |
| 0698. Summary of remaining write-ins for Line 6 from overflow page .....  | XXX                     | .0         | .0                    | .0                                 |
| 0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above) .....   | XXX                     | 0          | (2,237,116)           | (2,203,803)                        |
| 0701. ....  | XXX                     |            |                       |                                    |
| 0702. ....  | XXX                     |            |                       |                                    |
| 0703. ....  | XXX                     |            |                       |                                    |
| 0798. Summary of remaining write-ins for Line 7 from overflow page .....  | XXX                     | .0         | .0                    | .0                                 |
| 0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above) .....   | XXX                     | 0          | 0                     | 0                                  |
| 1401. ....  |                         |            |                       |                                    |
| 1402. ....  |                         |            |                       |                                    |
| 1403. ....  |                         |            |                       |                                    |
| 1498. Summary of remaining write-ins for Line 14 from overflow page .....   | .0                      | .0         | .0                    | .0                                 |
| 1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above) .....  | 0                       | 0          | 0                     | 0                                  |
| 2901. ....  |                         |            |                       |                                    |
| 2902. ....  |                         |            |                       |                                    |
| 2903. ....  |                         |            |                       |                                    |
| 2998. Summary of remaining write-ins for Line 29 from overflow page .....   | .0                      | .0         | .0                    | .0                                 |
| 2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above) .....  | 0                       | 0          | 0                     | 0                                  |

STATEMENT OF REVENUE AND EXPENSES (Continued)

|  | 1<br>Current Year<br>to Date | 2<br>Prior Year<br>to Date | 3<br>Prior Year |
|--|------------------------------|----------------------------|-----------------|
| CAPITAL AND SURPLUS ACCOUNT:   |                              |                            |                 |
| 33. Capital and surplus prior reporting year.....                                      | 16,662,458                   | 18,057,672                 | 18,057,672      |
| 34. Net income or (loss) from Line 32 .....  | 3,129,296                    | 1,337,927                  | 10,304,518      |
| 35. Change in valuation basis of aggregate policy and claim reserves .....             |                              | 0                          | 0               |
| 36. Change in net unrealized capital gains (losses) less capital gains tax of \$ ..... |                              | 0                          | 0               |
| 37. Change in net unrealized foreign exchange capital gain or (loss) .....             |                              | 0                          | 0               |
| 38. Change in net deferred income tax .....  |                              | 0                          | 0               |
| 39. Change in nonadmitted assets .....   | 0                            | 38,845                     | 50,268          |
| 40. Change in unauthorized reinsurance .....   | 0                            | 0                          | 0               |
| 41. Change in treasury stock .....   |                              | 0                          | 0               |
| 42. Change in surplus notes .....  | 0                            | 0                          | 0               |
| 43. Cumulative effect of changes in accounting principles .....                        |                              | 0                          | 0               |
| 44. Capital Changes:   |                              |                            |                 |
| 44.1 Paid in .....   |                              | 0                          | 0               |
| 44.2 Transferred from surplus (Stock Dividend) .....                                   |                              | 0                          | 0               |
| 44.3 Transferred to surplus .....  |                              | 0                          | 0               |
| 45. Surplus adjustments:   |                              |                            |                 |
| 45.1 Paid in .....   |                              | 0                          | (423,121)       |
| 45.2 Transferred to capital (Stock Dividend) .....                                     | 0                            | 0                          | 0               |
| 45.3 Transferred from capital .....  |                              | 0                          | 0               |
| 46. Dividends to stockholders .....  |                              | 0                          | (11,326,879)    |
| 47. Aggregate write-ins for gains or (losses) in surplus .....                         | 0                            | 0                          | 0               |
| 48. Net change in capital and surplus (Lines 34 to 47) .....                           | 3,129,296                    | 1,376,772                  | (1,395,214)     |
| 49. Capital and surplus end of reporting period (Line 33 plus 48)                      | 19,791,754                   | 19,434,444                 | 16,662,458      |
| DETAILS OF WRITE-INS   |                              |                            |                 |
| 4701. ....   |                              |                            |                 |
| 4702. ....   |                              |                            |                 |
| 4703. ....   |                              |                            |                 |
| 4798. Summary of remaining write-ins for Line 47 from overflow page .....              | 0                            | 0                          | 0               |
| 4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)                       | 0                            | 0                          | 0               |

CASH FLOW

|   | 1<br>Current Year<br>To Date | 2<br>Prior Year To Date | 3<br>Prior Year Ended<br>December 31 |
|---|------------------------------|-------------------------|--------------------------------------|
| <b>Cash from Operations</b>   |                              |                         |                                      |
| 1. Premiums collected net of reinsurance.....   | 46,737,691                   | 40,571,809              | 173,159,568                          |
| 2. Net investment income.....   | 108,833                      | 208,393                 | 340,091                              |
| 3. Miscellaneous income.....  | 412,348                      | (2,369,021)             | (2,675,332)                          |
| 4. Total (Lines 1 to 3).....  | 47,258,872                   | 38,411,181              | 170,824,327                          |
| 5. Benefit and loss related payments.....   | 36,317,272                   | 32,379,026              | 140,327,062                          |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                             |                              | 0                       | 0                                    |
| 7. Commissions, expenses paid and aggregate write-ins for deductions.....   | 5,638,404                    | 2,828,115               | 20,535,736                           |
| 8. Dividends paid to policyholders.....   |                              | 0                       | 0                                    |
| 9. Federal and foreign income taxes paid (recovered) net of \$ ..... tax on capital gains (losses)                      | 0                            | 0                       | 0                                    |
| 10. Total (Lines 5 through 9).....  | 41,955,676                   | 35,207,141              | 160,862,798                          |
| 11. Net cash from operations (Line 4 minus Line 10).....  | 5,303,196                    | 3,204,040               | 9,961,529                            |
| <b>Cash from Investments</b>  |                              |                         |                                      |
| 12. Proceeds from investments sold, matured or repaid:  |                              |                         |                                      |
| 12.1 Bonds.....   | 0                            | 0                       | 0                                    |
| 12.2 Stocks.....  | 0                            | 0                       | 0                                    |
| 12.3 Mortgage loans.....  | 0                            | 0                       | 0                                    |
| 12.4 Real estate.....   | 0                            | 0                       | 0                                    |
| 12.5 Other invested assets.....   | 0                            | 0                       | 0                                    |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....                                    | 646                          | 0                       | 3,001                                |
| 12.7 Miscellaneous proceeds.....  | 0                            | 461,225                 | 0                                    |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7).....  | 646                          | 461,225                 | 3,001                                |
| 13. Cost of investments acquired (long-term only):  |                              |                         |                                      |
| 13.1 Bonds.....   | 0                            | 0                       | 0                                    |
| 13.2 Stocks.....  | 0                            | 0                       | 0                                    |
| 13.3 Mortgage loans.....  | 0                            | 0                       | 0                                    |
| 13.4 Real estate.....   | 0                            | 0                       | 0                                    |
| 13.5 Other invested assets.....   | 0                            | 0                       | 0                                    |
| 13.6 Miscellaneous applications.....  | 0                            | 0                       | 0                                    |
| 13.7 Total investments acquired (Lines 13.1 to 13.6).....   | 0                            | 0                       | 0                                    |
| 14. Net increase (or decrease) in contract loans and premium notes.....   | 0                            | 0                       | 0                                    |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14).....  | 646                          | 461,225                 | 3,001                                |
| <b>Cash from Financing and Miscellaneous Sources</b>  |                              |                         |                                      |
| 16. Cash provided (applied):  |                              |                         |                                      |
| 16.1 Surplus notes, capital notes.....  | 0                            | 0                       | 0                                    |
| 16.2 Capital and paid in surplus, less treasury stock.....  | 0                            | 0                       | (423,121)                            |
| 16.3 Borrowed funds.....  | 0                            | 0                       | 0                                    |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities.....  |                              | 0                       | 0                                    |
| 16.5 Dividends to stockholders.....   | 0                            | 0                       | 11,326,879                           |
| 16.6 Other cash provided (applied).....   | 1,236,266                    | 32,284                  | 349,354                              |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6)..... | 1,236,266                    | 32,284                  | (11,400,646)                         |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>  |                              |                         |                                      |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....                | 6,540,108                    | 3,697,549               | (1,436,116)                          |
| 19. Cash, cash equivalents and short-term investments:  |                              |                         |                                      |
| 19.1 Beginning of year.....   | 29,659,878                   | 31,095,994              | 31,095,994                           |
| 19.2 End of period (Line 18 plus Line 19.1).....  | 36,199,986                   | 34,793,543              | 29,659,878                           |

STATEMENT AS OF MARCH 31, 2010 OF THE Priority Health Government Programs, Inc.

| EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION             |            |                                       |            |                             |                     |                     |   |                              |                            |             |
|---|------------|---------------------------------------|------------|-----------------------------|---------------------|---------------------|---|------------------------------|----------------------------|-------------|
|   | 1<br>Total | Comprehensive<br>(Hospital & Medical) |            | 4<br>Medicare<br>Supplement | 5<br>Vision<br>Only | 6<br>Dental<br>Only | 7<br>Federal Employees<br>Health Benefit Plan | 8<br>Title XVIII<br>Medicare | 9<br>Title XIX<br>Medicaid | 10<br>Other |
|   |            | 2<br>Individual                       | 3<br>Group |                             |                     |                     |   |                              |                            |             |
| Total Members at end of:                                    |            |                                       |            |                             |                     |                     |   |                              |                            |             |
| 1. Prior Year .....   | 62,884     | 1,662                                 | .0         | .0                          | .0                  | .0                  | .0  | .0                           | .61,222                    | .0          |
| 2 First Quarter .....                                       | 62,439     | 1,747                                 |            |                             |                     |                     |   |                              | .60,692                    |             |
| 3 Second Quarter .....                                      | .0         |                                       |            |                             |                     |                     |   |                              |                            |             |
| 4. Third Quarter .....                                      | .0         |                                       |            |                             |                     |                     |   |                              |                            |             |
| 5. Current Year   | .0         |                                       |            |                             |                     |                     |   |                              |                            |             |
| 6 Current Year Member Months                                | 189,085    | 5,103                                 |            |                             |                     |                     |   |                              | 183,982                    |             |
| Total Member Ambulatory Encounters for Period:              |            |                                       |            |                             |                     |                     |   |                              |                            |             |
| 7. Physician .....  | 151,421    | 2,047                                 |            |                             |                     |                     |   |                              | 149,374                    |             |
| 8. Non-Physician .....                                      | 11,467     | 155                                   |            |                             |                     |                     |   |                              | 11,312                     |             |
| 9. Total  | 162,888    | 2,202                                 | .0         | .0                          | .0                  | .0                  | .0  | .0                           | 160,686                    | .0          |
| 10. Hospital Patient Days Incurred                          | 5,150      | 18                                    |            |                             |                     |                     |   |                              | 5,132                      |             |
| 11. Number of Inpatient Admissions                          | 1,348      | 6                                     |            |                             |                     |                     |   |                              | 1,342                      |             |
| 12. Health Premiums Written(a) .....                        | 46,846,968 | 420,013                               |            |                             |                     |                     |   |                              | 46,426,955                 |             |
| 13. Life Premiums Direct.....                               | .0         |                                       |            |                             |                     |                     |   |                              |                            |             |
| 14. Property/Casualty Premiums Written .....                | .0         |                                       |            |                             |                     |                     |   |                              |                            |             |
| 15. Health Premiums Earned .....                            | 46,799,962 | 419,402                               |            |                             |                     |                     |   |                              | 46,380,560                 |             |
| 16. Property/Casualty Premiums Earned .....                 | .0         |                                       |            |                             |                     |                     |   |                              |                            |             |
| 17. Amount Paid for Provision of Health Care Services ..... | 36,372,788 | 278,563                               |            |                             |                     |                     |   |                              | 36,094,225                 |             |
| 18. Amount Incurred for Provision of Health Care Services   | 38,051,270 | 343,322                               |            |                             |                     |                     |   |                              | 37,707,948                 |             |

(a) For health premiums written: amount of Medicare Title XVIII exempt from state taxes or fees \$ .....

∞

∞

∞



UNDERWRITING AND INVESTMENT EXHIBIT  
ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

| Line of Business                                    | Claims<br>Paid Year to Date   |   | Liability<br>End of Current Quarter                      |   | 5<br><br>Claims Incurred<br>in Prior Years<br>(Columns 1 + 3) | 6<br><br>Estimated Claim<br>Reserve and Claim<br>Liability<br>Dec. 31 of<br>Prior Year |
|---|---|---|--|---|---|--|
|   | 1<br><br>On<br>Claims Incurred Prior<br>to January 1 of<br>Current Year | 2<br><br>On<br>Claims Incurred<br>During the Year | 3<br><br>On<br>Claims Unpaid<br>Dec. 31<br>of Prior Year | 4<br><br>On<br>Claims Incurred<br>During the Year |   |  |
| 1. Comprehensive (hospital and medical) .....       | 183,396   | 95,167  | 28,493   | 250,446   | 211,889   | 216,403  |
| 2. Medicare Supplement .....                        |   |   |  |   | 0   | 0  |
| 3. Dental Only .....                                |   |   |  |   | 0   | 0  |
| 4. Vision Only .....                                |   |   |  |   | 0   | 0  |
| 5. Federal Employees Health Benefits Plan .....     |   |   |  |   | 0   | 0  |
| 6. Title XVIII - Medicare .....                     |   |   |  |   | 0   | 0  |
| 7. Title XIX - Medicaid .....                       | 12,422,397  | 25,295,083  | 1,633,204  | 14,355,519  | 14,055,601  | 14,314,326   |
| 8. Other health .....                               |   |   |  |   | 0   | 0  |
| 9. Health subtotal (Lines 1 to 8).....              | 12,605,793  | 25,390,250  | 1,661,697  | 14,605,965  | 14,267,490  | 14,530,729   |
| 10. Healthcare receivables (a) .....                | 576,072   | 1,047,184   |  | 463,678   | 576,072   | 576,072  |
| 11. Other non-health .....                          |   |   |  |   | 0   | 0  |
| 12. Medical incentive pools and bonus amounts ..... |   |   | 313,404  | (170,844)   | 313,404   | 313,404  |
| 13. Totals  | 12,029,721  | 24,343,066  | 1,975,101  | 13,971,443  | 14,004,822  | 14,268,061   |

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

## NOTES TO FINANCIAL STATEMENTS

### 1. Organization and Summary of Significant Accounting Policies

The statutory-basis financial statements of Priority Health Government Programs, Inc. are prepared in accordance with the *Accounting Practices and Procedures Manual* published by the National Association of Insurance Commissioners.

### 2. Accounting Changes and Correction of Errors

No material changes from year end disclosures.

### 3. Business Combinations and Goodwill

No material changes from year end disclosures.

### 4. Discontinued Operations

No material changes from year end disclosures.

### 5. Investments

No material changes from year end disclosures.

### 6. Joint Ventures, Partnerships and Limited Liability Companies

No material changes from year end disclosures.

### 7. Investment Income

No material changes from year end disclosures.

### 8. Derivative Instruments

No material changes from year end disclosures.

### 9. Income Taxes

No material changes from year end disclosures.

### 10. Information Concerning Parent, Subsidiaries, and Affiliates

No material changes from year end disclosures.

### 11. Debt

No material changes from year end disclosures.

### 12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

No material changes from year end disclosures.

### 13. Capital and Surplus, Shareholder's Dividend Restrictions, and Quasi-Reorganizations

No material changes from year end disclosures.

### 14. Contingencies

No material changes from year end disclosures.

### 15. Leases

No material changes from year end disclosures.

### 16. Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

No material changes from year end disclosures.

### 17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

No material changes from year end disclosures.

## NOTES TO FINANCIAL STATEMENTS

### 18. Gain of Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

No material changes from year end disclosures

### 19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No material changes from year end disclosures.

### 20. Other Items

No material changes from year end disclosures.

### 21. Events Subsequent

Type I Recognized Subsequent events have been considered through May 14, 2010 for the statutory statement issued on May 14, 2010. There were no Type I subsequent events as of the report date.

Type II Nonrecognized Subsequent events have been considered through May 14, 2010 for the statutory statement issued on May 14, 2010.

In April, the Plan received notification from the Michigan Department of Community Health (MDCH) that premium rates developed for the fiscal year ending September 30, 2010 were not accurate for the time period of October 1, 2009 through March 31, 2010. This issue has since been corrected beginning April 1, 2010 and a repayment of premium to the MDCH is expected. We have estimated the net impact to the Plan to be approximately \$950,000. This is not reflected in the financial statements as of March 31, 2010.

In addition to the rate issues discussed above, the MDCH notified the Plan in April of enrollment issues that could impact net income. At this time, the Plan does not have enough information to estimate the potential impact to net income.

### 22. Reinsurance

No material changes from year end disclosures.

### 23. Retrospectively Rated Contracts & Contracts Subject to Redetermination

No material changes from year end disclosures

### 24. Change in Incurred Claims and Claim Adjustment Expenses

Adjustments to previously rendered claims reserve estimates are reflected in the statement of operations in the period in which the estimates are revised. Such reserve adjustments consist of restatements of claim estimates and release of any margin associated with these estimates. Reserve adjustments were favorable by \$0.3 million during the current quarter, decreasing the prior year-end claim reserve estimates of \$14.3 million to \$14.0 million.

### 25. Intercompany Pooling Arrangements

No material changes from year end disclosures.

### 26. Structured Settlements

No material changes from year end disclosures.

### 27. Health Care Receivables

No material changes from year end disclosures.

### 28. Participating Policies

No material changes from year end disclosures.

### 29. Premium Deficiency Reserves

No material changes from year end disclosures.

### 30. Anticipated Salvage and Subrogation

No material changes from year end disclosures.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act? .....

Yes ☐ No ☒
- 1.2

If yes, has the report been filed with the domiciliary state? .....

Yes ☐ No ☐
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes ☐ No ☒
- 2.2

If yes, date of change: .....
3.

Have there been any substantial changes in the organizational chart since the prior quarter end? .....

Yes ☐ No ☒

If yes, complete the Schedule Y - Part 1 - organizational chart.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes ☐ No ☒
- 4.2

If yes, provide the name of entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

| 1              | 2                 | 3                 |
|----------------|-------------------|-------------------|
| Name of Entity | NAIC Company Code | State of Domicile |
|                |                   |                   |

5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved? .....

If yes, attach an explanation.

Yes ☐ No ☒ NA ☐
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2006
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2006
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

05/26/2008
- 6.4

By what department or departments?  
State of Michigan Office of Financial & Insurance Regulation.....
- 6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? .....

Yes ☐ No ☐ NA ☒
- 6.6

Have all of the recommendations within the latest financial examination report been complied with?.....

Yes ☐ No ☒ NA ☐
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?.....

Yes ☐ No ☒
- 7.2

If yes, give full information:  
.....
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?.....

Yes ☐ No ☒
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.  
.....
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?.....

Yes ☐ No ☒
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.]

| 1              | 2                         | 3   | 4   | 5   | 6    | 7   |
|----------------|---------------------------|-----|-----|-----|------|-----|
| Affiliate Name | Location<br>(City, State) | FRB | OCC | OTS | FDIC | SEC |
|                |                           |     |     |     |      |     |

GENERAL INTERROGATORIES

9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?.....

Yes ☒ No ☐

(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

(c) Compliance with applicable governmental laws, rules and regulations;

(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

(e) Accountability for adherence to the code.

9.11

If the response to 9.1 is No, please explain:

.....

9.2

Has the code of ethics for senior managers been amended?.....

Yes ☐ No ☒

9.21

If the response to 9.2 is Yes, provide information related to amendment(s).

.....

9.3

Have any provisions of the code of ethics been waived for any of the specified officers?.....

Yes ☐ No ☒

9.31

If the response to 9.3 is Yes, provide the nature of any waiver(s).

.....

FINANCIAL

10.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?.....

Yes ☒ No ☐

10.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....\$ .....90,000

INVESTMENT

11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) .....

Yes ☐ No ☒

11.2

If yes, give full and complete information relating thereto:

.....

12.

Amount of real estate and mortgages held in other invested assets in Schedule BA: .....\$ .....0

13.

Amount of real estate and mortgages held in short-term investments: .....\$ .....0

14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates? .....

Yes ☐ No ☒

14.2

If yes, please complete the following:

|   | 1   | 2  |
|---|---|--|
|   | Prior Year-End<br>Book/Adjusted<br>Carrying Value | Current Quarter<br>Book/Adjusted<br>Carrying Value |
| 14.21 Bonds .....   | \$ .....  | \$ .....   |
| 14.22 Preferred Stock .....   | \$ .....  | \$ .....   |
| 14.23 Common Stock .....  | \$ .....  | \$ .....   |
| 14.24 Short-Term Investments .....  | \$ .....  | \$ .....   |
| 14.25 Mortgage Loans on Real Estate .....   | \$ .....  | \$ .....   |
| 14.26 All Other .....   | \$ .....  | \$ .....   |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal<br>Lines 14.21 to 14.26)..... | \$ .....0   | \$ .....0  |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above ....                          | \$ .....  | \$ .....   |

15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB? .....

Yes ☐ No ☒

15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? .....

Yes ☐ No ☐

If no, attach a description with this statement.

GENERAL INTERROGATORIES

16. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?.....

Yes [X] No [ ]

16.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian Address |
|---------------------------|------------------------|
| Mellon Trust.....         | Pittsburgh, PA.....    |

16.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

16.3 Have there been any changes, including name changes, in the custodian(s) identified in 16.1 during the current quarter? .....

Yes [ ] No [X]

16.4 If yes, give full and complete information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

16.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository | 2<br>Name(s)        | 3<br>Address         |
|--------------------------------------|---------------------|----------------------|
| n/a.....                             | Prime Advisors..... | Bloomfield,, CT..... |

17.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? .....

Yes [X] No [ ]

17.2 If no, list exceptions:

.....

GENERAL INTERROGATORIES  
PART 2 - HEALTH

|   |                      |                        |
|---|----------------------|------------------------|
| 1.  |                      | <sup>1</sup><br>Amount |
| 1. Operating Percentages:   |                      |                        |
| 1.1 A&H loss percent .....  |                      | 81.8 %                 |
| 1.2 A&H cost containment percent .....  |                      | 0.4 %                  |
| 1.3 A&H expense percent excluding cost containment expenses .....                       |                      | 11.6 %                 |
| 2.1 Do you act as a custodian for health savings accounts?                              | Yes [   ]   No [ X ] |                        |
| 2.2 If yes, please provide the amount of custodial funds held as of the reporting date. | \$ .....             |                        |
| 2.3 Do you act as an administrator for health savings accounts?                         | Yes [   ]   No [ X ] |                        |
| 2.4 If yes, please provide the balance of funds administered as of the reporting date.  | \$ .....             |                        |

**STATEMENT AS OF MARCH 31, 2010 OF THE Priority Health Government Programs, Inc.**

## SCHEDULE S - CEDED REINSURANCE

Showing All New Reinsurance Treaties - Current Year to Date

[illegible]

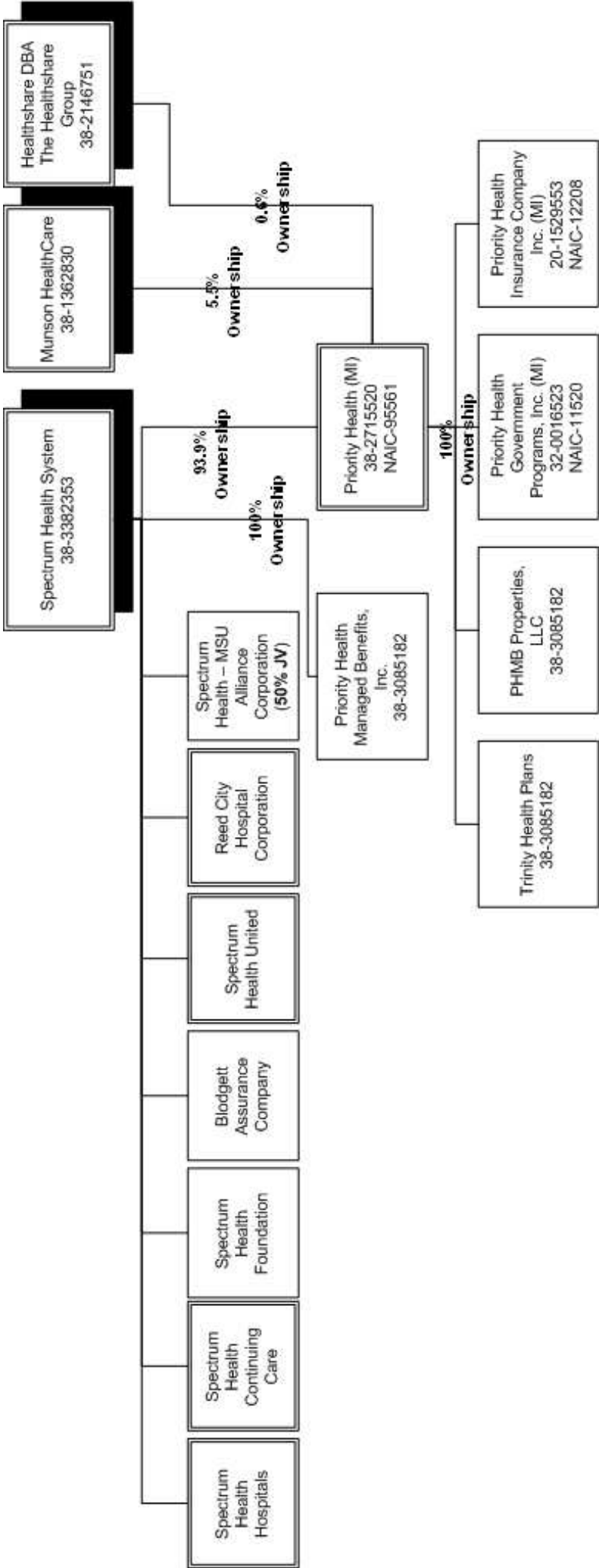


SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

| Current Year to Date - Allocated by States and Territories                |       |               |                            |                      |                    |   |  |                             |                           |                        |
|---|-------|---------------|----------------------------|----------------------|--------------------|---|--|-----------------------------|---------------------------|------------------------|
|   |       | 1             | Direct Business Only       |                      |                    |   |  |                             |                           |                        |
|   |       |               | 2                          | 3                    | 4                  | 5   | 6  | 7                           | 8                         | 9                      |
| States, Etc.  |       | Active Status | Accident & Health Premiums | Medicare Title XVIII | Medicaid Title XIX | Federal Employees Health Benefit Program Premiums | Life & Annuity Premiums & Other Considerations | Property/ Casualty Premiums | Total Columns 2 Through 7 | Deposit-Type Contracts |
| 1. Alabama .....  | AL    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 2. Alaska .....   | AK    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 3. Arizona .....  | AZ    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 4. Arkansas .....   | AR    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 5. California .....   | CA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 6. Colorado .....   | CO    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 7. Connecticut .....  | CT    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 8. Delaware .....   | DE    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 9. Dist. Columbia .....   | DC    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 10. Florida .....   | FL    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 11. Georgia .....   | GA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 12. Hawaii .....  | HI    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 13. Idaho .....   | ID    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 14. Illinois .....  | IL    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 15. Indiana .....   | IN    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 16. Iowa .....  | IA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 17. Kansas .....  | KS    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 18. Kentucky .....  | KY    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 19. Louisiana .....   | LA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 20. Maine .....   | ME    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 21. Maryland .....  | MD    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 22. Massachusetts .....   | MA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 23. Michigan .....  | MI    | L             | 420,013                    |                      | 46,426,955         |   |  |                             | 46,846,968                |                        |
| 24. Minnesota .....   | MN    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 25. Mississippi .....   | MS    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 26. Missouri .....  | MO    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 27. Montana .....   | MT    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 28. Nebraska .....  | NE    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 29. Nevada .....  | NV    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 30. New Hampshire .....   | NH    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 31. New Jersey .....  | NJ    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 32. New Mexico .....  | NM    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 33. New York .....  | NY    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 34. North Carolina .....  | NC    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 35. North Dakota .....  | ND    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 36. Ohio .....  | OH    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 37. Oklahoma .....  | OK    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 38. Oregon .....  | OR    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 39. Pennsylvania .....  | PA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 40. Rhode Island .....  | RI    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 41. South Carolina .....  | SC    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 42. South Dakota .....  | SD    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 43. Tennessee .....   | TN    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 44. Texas .....   | TX    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 45. Utah .....  | UT    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 46. Vermont .....   | VT    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 47. Virginia .....  | VA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 48. Washington .....  | WA    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 49. West Virginia .....   | WV    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 50. Wisconsin .....   | WI    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 51. Wyoming .....   | WY    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 52. American Samoa .....  | AS    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 53. Guam .....  | GU    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 54. Puerto Rico .....   | PR    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 55. U.S. Virgin Islands .....   | VI    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 56. Northern Mariana Islands .....  | MP    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 57. Canada .....  | CN    | N             |                            |                      |                    |   |  |                             | .0                        |                        |
| 58. Aggregate other alien .....   | OT    | XXX           | .0                         | .0                   | .0                 | .0  | .0   | .0                          | .0                        | .0                     |
| 59. Subtotal .....  | XXX   |               | 420,013                    | .0                   | 46,426,955         | .0  | .0   | .0                          | 46,846,968                | .0                     |
| 60. Reporting entity contributions for Employee Benefit Plans .....       | XXX   |               |                            |                      |                    |   |  |                             | .0                        |                        |
| 61. Total (Direct Business) .....   | (a) 1 |               | 420,013                    | 0                    | 46,426,955         | 0   | 0  | 0                           | 46,846,968                | 0                      |
| DETAILS OF WRITE-INS  |       |               |                            |                      |                    |   |  |                             |                           |                        |
| 5801. ....  | XXX   |               |                            |                      |                    |   |  |                             |                           |                        |
| 5802. ....  | XXX   |               |                            |                      |                    |   |  |                             |                           |                        |
| 5803. ....  | XXX   |               |                            |                      |                    |   |  |                             |                           |                        |
| 5898. Summary of remaining write-ins for Line 58 from overflow page ..... | XXX   |               | .0                         | .0                   | .0                 | .0  | .0   | .0                          | .0                        | .0                     |
| 5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above) .....    | XXX   |               | 0                          | 0                    | 0                  | 0   | 0  | 0                           | 0                         | 0                      |

(L) Licensed or Chartered – Licensed Insurance Carrier or Domiciled RRG; (R ) Registered – Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible – Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above – Not allowed to write business in the state.  
(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART



SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of **NO** to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplemental is required of your company but is not being filed for whatever reason enter **SEE EXPLANATION** and provide an explanation following the interrogatory questions.

RESPONSE

1. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement?

.....NO.....

Explanation:

1.Business not written

Bar Code:

1.



11520201036500001

OVERFLOW PAGE FOR WRITE-INS

SCHEDULE A - VERIFICATION

Real Estate

|  | 1            | 2                               |
|--|--------------|---------------------------------|
|  | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year                           | 0            | 0                               |
| 2. Cost of acquired:   |              |                                 |
| 2.1 Actual cost at time of acquisition   |              | 0                               |
| 2.2 Additional investment made after acquisition                                     |              | 0                               |
| 3. Current year change in encumbrances   |              | 0                               |
| 4. Total gain (loss) on disposals  |              | 0                               |
| 5. Deduct amounts received on disposals  |              | 0                               |
| 6. Total foreign exchange change in book/adjusted carrying value                     |              | 0                               |
| 7. Deduct current year's other than temporary impairment recognized                  |              | 0                               |
| 8. Deduct current year's depreciation  |              | 0                               |
| 9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) | 0            | 0                               |
| 10. Deduct total nonadmitted amounts   | 0            | 0                               |
| 11. Statement value at end of current period (Line 9 minus Line 10)                  | 0            | 0                               |

SCHEDULE B – VERIFICATION

Mortgage Loans

|   | 1            | 2                               |
|---|--------------|---------------------------------|
|   | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year                             | 0            | 0                               |
| 2. Cost of acquired:  |              |                                 |
| 2.1 Actual cost at time of acquisition  |              | 0                               |
| 2.2 Additional investment made after acquisition  |              | 0                               |
| 3. Capitalized deferred interest and other  |              | 0                               |
| 4. Accrual of discount  |              | 0                               |
| 5. Unrealized valuation increase (decrease)   |              | 0                               |
| 6. Total gain (loss) on disposals   |              | 0                               |
| 7. Deduct amounts received on disposals   |              | 0                               |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees                                  |              | 0                               |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest                       |              | 0                               |
| 10. Deduct current year's other than temporary impairment recognized  |              | 0                               |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 0            | 0                               |
| 12. Total valuation allowance   |              | 0                               |
| 13. Subtotal (Line 11 plus Line 12)   | 0            | 0                               |
| 14. Deduct total nonadmitted amounts  | 0            | 0                               |
| 15. Statement value at end of current period (Line 13 minus Line 14)  | 0            | 0                               |

SCHEDULE BA – VERIFICATION

Other Long-Term Invested Assets

|  | 1            | 2                               |
|--|--------------|---------------------------------|
|  | Year To Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year                             | 0            | 0                               |
| 2. Cost of acquired:   |              |                                 |
| 2.1 Actual cost at time of acquisition   |              | 0                               |
| 2.2 Additional investment made after acquisition                                       |              | 0                               |
| 3. Capitalized deferred interest and other   |              | 0                               |
| 4. Accrual of discount   |              | 0                               |
| 5. Unrealized valuation increase (decrease)  |              | 0                               |
| 6. Total gain (loss) on disposals  |              | 0                               |
| 7. Deduct amounts received on disposals  |              | 0                               |
| 8. Deduct amortization of premium and depreciation                                     |              | 0                               |
| 9. Total foreign exchange change in book/adjusted carrying value                       |              | 0                               |
| 10. Deduct current year's other than temporary impairment recognized                   |              | 0                               |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) | 0            | 0                               |
| 12. Deduct total nonadmitted amounts   | 0            | 0                               |
| 13. Statement value at end of current period (Line 11 minus Line 12)                   | 0            | 0                               |

SCHEDULE D – VERIFICATION

Bonds and Stocks

|   | 1            | 2                               |
|---|--------------|---------------------------------|
|   | Year To Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year      | 1,061,401    | 1,079,392                       |
| 2. Cost of bonds and stocks acquired  | 0            | 0                               |
| 3. Accrual of discount  | 0            | 0                               |
| 4. Unrealized valuation increase (decrease)   | 0            | 0                               |
| 5. Total gain (loss) on disposals   | 0            | 0                               |
| 6. Deduct consideration for bonds and stocks disposed of                            | 0            | 0                               |
| 7. Deduct amortization of premium   | 4,502        | 17,991                          |
| 8. Total foreign exchange change in book/adjusted carrying value                    | 0            | 0                               |
| 9. Deduct current year's other than temporary impairment recognized                 | 0            | 0                               |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) | 1,056,899    | 1,061,401                       |
| 11. Deduct total nonadmitted amounts  | 0            | 0                               |
| 12. Statement value at end of current period (Line 10 minus Line 11)                | 1,056,899    | 1,061,401                       |

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by Rating Class

|                                   | 1  | 2   | 3   | 4  | 5  | 6   | 7  | 8  |
|-----------------------------------|--|---|---|--|--|---|--|--|
|                                   | Book/Adjusted<br>Carrying Value<br>Beginning of<br>Current Quarter | Acquisitions<br>During<br>Current Quarter | Dispositions<br>During<br>Current Quarter | Non-Trading<br>Activity<br>During<br>Current Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>First Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>Second Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>Third Quarter | Book/Adjusted<br>Carrying Value<br>December 31<br>Prior Year |
| BONDS                             |  |   |   |  |  |   |  |  |
| 1. Class 1 (a)                    | 26,985,704   | 11,020,823                                | 14,753,760                                | (167,242)  | 23,085,525   | 0   | 0  | 26,985,704   |
| 2. Class 2 (a)                    | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 3. Class 3 (a)                    | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 4. Class 4 (a)                    | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 5. Class 5 (a)                    | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 6. Class 6 (a)                    | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 7. Total Bonds                    | 26,985,704   | 11,020,823                                | 14,753,760                                | (167,242)  | 23,085,525   | 0   | 0  | 26,985,704   |
| PREFERRED STOCK                   |  |   |   |  |  |   |  |  |
| 8. Class 1                        | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 9. Class 2                        | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 10. Class 3                       | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 11. Class 4                       | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 12. Class 5                       | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 13. Class 6                       | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 14. Total Preferred Stock         | 0  | 0   | 0   | 0  | 0  | 0   | 0  | 0  |
| 15. Total Bonds & Preferred Stock | 26,985,704   | 11,020,823                                | 14,753,760                                | (167,242)  | 23,085,525   | 0   | 0  | 26,985,704   |

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ 0 ; NAIC 2 \$ 0 ; NAIC 3 \$ 0 ; NAIC 4 \$ 0 ; NAIC 5 \$ 0 ; NAIC 6 \$ 0

SCHEDULE DA - PART 1

| Short-Term Investments |                                 |           |             |                                    |  |
|------------------------|---------------------------------|-----------|-------------|------------------------------------|--|
|                        | 1                               | 2         | 3           | 4                                  | 5  |
|                        | Book/Adjusted<br>Carrying Value | Par Value | Actual Cost | Interest Collected<br>Year To Date | Paid for Accrued<br>Interest<br>Year To Date |
| 9199999                | 22,028,627                      | XXX       | 22,308,025  | 256,502                            | 1,311  |

SCHEDULE DA - VERIFICATION

| Short-Term Investments   |              |                                 |
|--|--------------|---------------------------------|
|  | 1            | 2                               |
|  | Year To Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year.....                          | 25,924,304   | 19,621,135                      |
| 2. Cost of short-term investments acquired .....   | 11,020,823   | 57,803,866                      |
| 3. Accrual of discount.....  | 1,061        | 55,993                          |
| 4. Unrealized valuation increase (decrease).....   |              | 0                               |
| 5. Total gain (loss) on disposals.....   | 646          | 3,001                           |
| 6. Deduct consideration received on disposals.....                                       | 14,754,406   | 51,060,723                      |
| 7. Deduct amortization of premium.....   | 163,801      | 498,968                         |
| 8. Total foreign exchange change in book/adjusted carrying value.....                    |              | 0                               |
| 9. Deduct current year's other than temporary impairment recognized.....                 |              | 0                               |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9)..... | 22,028,627   | 25,924,304                      |
| 11. Deduct total nonadmitted amounts.....  |              | 0                               |
| 12. Statement value at end of current period (Line 10 minus Line 11)                     | 22,028,627   | 25,924,304                      |

Schedule DB - Part A - Verification

NONE

Schedule DB - Part B- Verification

NONE

Schedule DB - Part C - Section 1

NONE

Schedule DB - Part C - Section 2

NONE

Schedule DB - Verification

NONE

Schedule E Verification

NONE

Schedule A - Part 2

NONE

Schedule A - Part 3

NONE

Schedule B - Part 2

NONE

Schedule B - Part 3

NONE

Schedule BA - Part 2

NONE



Schedule BA - Part 3  
**NONE**

Schedule D - Part 3  
**NONE**

Schedule D - Part 4  
**NONE**

Schedule DB - Part A - Section 1  
**NONE**

Sch. DB - Pt. A - Sn. 1 - Footnote (a)  
**NONE**

Schedule DB - Part B - Section 1  
**NONE**

Sch. DB - Pt. B - Sn. 1 - Footnotes  
**NONE**

Schedule DB - Part D  
**NONE**



Schedule E - Part 2 - Cash Equivalents

NONE